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Forty-third session
Geneva, 7 October 1996

COMMUNICATION TO THE TRADE AND DEVELOPMENT BOARD
AT ITS FORTY-THIRD SESSION

Note by the secretariat

The attached Declaration of the Ministerial Meeting of the Least Developed Countries is being circulated to members of the Trade and Development Board at the request of the Permanent Representative of Bangladesh to the United Nations in New York, Coordinator of the Least Developed Countries in New York.

GE.96-51855

DECLARATION OF THE MINISTERIAL MEETING OF THE LEAST DEVELOPED COUNTRIES NEW YORK, 30 SEPTEMBER 1996

We, the Ministers of the Least Developed Countries meeting in New York during the 51st session of the United Nations General Assembly pursuant to the decision of the Dhaka Declaration of February 1990;

Recalling the Paris Programme of Action for the Least Developed Countries for the 1990s;

Recalling the Ministerial Declaration adopted at Midrand, South Africa, on 1 May 1996 during the ninth session of the United Nations Conference on Trade and Development;

Noting the outcome of the High-level Intergovernmental Meeting on the Mid-term Global Review of the Paris Programme of Action for the Least Developed Countries for the 1990s, held in New York in September/October 1995;

Having assessed progress in the implementation of the Programme of Action, solemnly declare the following:

1. We are deeply concerned that only limited progress has so far been made in the implementation of the Paris Programme of Action. Despite vigorous domestic efforts to implement economic reforms, the Least Developed Countries as a group have not been provided with adequate support to enable them to meet the objectives of the Programme. While their overall economic performance showed some modest improvement during the last two years, a decisive reversal of their socio-economic deterioration is not yet in sight. The problems associated with formidable structural adjustment difficulties and economic reforms, declining flow of already low level of development resources, extremely low export capacity compounded by limited market access, crushing debt burden, low level of human development, environmental degradation, etc., continue to seriously impede Least Developed Countries' development efforts. Periodic natural and man made disasters and other adverse situations including political instability and civil strifes, and problems of refugees and their attendant negative consequences continue to imperil the fragile socio-economic conditions in many Least Developed Countries. Their development problematique is further compounded by the process of rapid globalization in a liberalizing world economy, which has magnified the susceptibility of Least Developed Countries to powerful external forces and deepened their marginalization.

2. The asymmetry in the implementation of the Programme of Action has grown further in that while the Least Developed Countries have been expanding the deepening reform efforts in line with the Programme, implementation of the commitments by the

development partems has increasingly faltered. The decline in the official development assistance flows to the Least Developed Countries is an important testimony to this disturbing trend. Between 1994 and 1995, total official development assistance provided by the Development Assistant Committee donor countries fell by nearly one-tenth. The share of Least Developed Countries in these shrinking Official Development Assistance flows has declined to levels far short of the targets and commitments agreed upon in the Paris Programme of Action. Official Development Assistance flows to Least Developed Countries, as a share of Development Assistant Committee donors' combined gross national products, fell from 0.09 per cent in 1990 to 0.07 per cent in 1994 and this trend continued during 1995. Dwindling official development assistance flows has seriously undermined the development efforts of the Least Developed Countries and their capacity to attract other forms of development financing, including private flows. We urge our development partners to make special efforts to reverse the decline in development resource flows to Least Developed Countries and make effort to reach the target agreed in the Paris Declaration and Programme of Action for the Least Developed Countries for the 1990s. In this regard, we note the emphasis given by the heads of states and governments of the Group of Seven major industrialized countries in Lyon to development resource requirement of the poorest countries. We urge our development partners to undertake practical measures to translate this into concrete and early actions with a view to providing Least Developed Countries with a substantially increased volume of official development assistance as envisaged in the Programme of Action. The Mid-term Global Review of the Programme of Action set out specific measures to incorporate aid targets and commitments in favour of Least Developed Countries into the donors' national aid strategies and budgetary planning mechanisms. These measures should be operationalized urgently.

3. We are encouraged that agreements have been reached on the funding arrangements for the eleventh replenishment of the International Development Agency and on replenishing the African Development Fund. In view of the fact that the multilateral financial institutions and organizations provide a significant part of Least Developed Countries' external financing, we urge that these pledges be implemented in a timely manner. Adequate resources should also be provided while replenishing the Asian Development Fund, as well as for the United Nations funds and programmes.

4. The external debt-service burden of Least Developed Countries remains extremely high and in many cases unsustainable. This has seriously jeopardized their economic growth and development. Least Developed Countries welcome various debt relief measures currently in place, but these measures have remained grossly inadequate to decisively reduce their heavy debt burden. We note with keen interest the recent multilateral debt relief initiative by the Bretton Woods institutions. We note with keen interest the recent initiative by the Bretton Woods institutions on alleviating the external debt of the poorest countries, including multilateral debt. An assessment of this initiative

will have to await the finalization of the debt relief schemes. It should, however, be mentioned that the effectiveness of this scheme will critically depend on the nature of eligibility criteria and the flexibility with which they are applied, the country coverage, and the extent of relief provided. In particular, all debt-distressed Least Developed Countries should be brought under this scheme, and the debt reduction should be large enough to bring the debt stock and debt servicing of these countries to a sustainable level. Such relief should be provided on an urgent basis so as to enable these countries to resume their process of growth and development. We also appeal to all creditor countries to fully cancel all bilateral official debt owed by Least Developed Countries.

5. The continued marginalization of Least Developed Countries in world trade is a source of great concern. We note with disquiet that the Least Developed Countries as a whole may be adversely affected by the agreements of the Uruguay Round of Multilateral Trade Negotiations. The Least Developed Countries notably stand to suffer erosion of preferential margins they hitherto enjoyed for most of their main exports to international markets, resulting in a loss in their export market shares and export earnings. The net food-importing Least Developed Countries would face higher food import bills owing to agriculture sector trade liberalization. Many land-locked Least Developed Countries face additional constraints due to their land-lockedness and thus require special messures by the international community. We urge our development and trading partners to adopt specific and concrete measures to redress these problems. Such measures should facilitate Least Developed Countries to meet their obligations under the said Agreements; to secure financial, technical and technological support as agreed in the relevant Agreements; and to secure compensation for losses they have suffered during implementation of the said Agreements. Such measures should also result in reversal of the marginalization of the Least Developed Countries, ensure their integration into the global economy and strengthen their capacity to compete effectively in world trade.

6. We call upon our development and trading partners to provide assistance to Least Developed Countries on a priority basis to mitigate the adverse consequences arising from the Final Act of the Uruguay Round as well as to enable Least Developed Countries in exploiting opportunities that may emanate therefrom. In particular, the proposal to accord duty-free treatment to Least Developed Countries' exports should be given urgent consideration. There has not yet been any visible action in implementing the special and differential measures accorded to the Least Developed Countries in the various agreements of the Round.

7. We also reiterate the importance of setting up 'safety net' measures to assist Least Developed Countries tide over the transitional difficulties, which could take the form of technical assistance, food aid, debt relief, additional preferential measures — including in areas where trade liberalization is at an incipient stage — exempting Least Developed

Countries from "tariff peaks" and "tariff escalation", and trade promotion measures. We call upon the Singapore Ministerial Meeting of the World Trade Organisation, to be held in December 1996, to adopt a comprehensive plan of action for the Least Developed Countries which should contain concrete measures in the area of market access as well as in other areas, including immediate elimination of all tariff and non-tariff measures on all existing and future export items originating from the Least Developed Countries, with a view to enhancing their export earnings and improving their supply capacity of tradeable goods and services and enabling them to benefit from the Final Act of the Uruguay Round.

8. The Least Developed Countries confront the processes of globalization and liberalization with distinct disadvantages. The outcome of the Ninth Session of the United Nations Conference on Trade and Development highlights the challenges posed to Least Developed Countries as well as the need to provide support to these countries to help them overcome the risks of further marginalization in the process. Enhanced access to expanding global markets require efficient production structures capable of meeting increasingly exacting demands in terms of quality, cost and delivery structures on international markets. These requirements contrast sharply with the salient characteristics of the Least Developed Countries' export sector, which include serious lack of diversification and widespread shortages of entrepreneurial and managerial skills, technological capacities, physical infrastructure and support services such as finance, marketing and insurance. Integration of the Least Developed Countries into the world economy will require concerted action by the Least Developed Countries, the international community and multilateral institutions including United Nations Conference on Trade and Development, World Trade Organization and Bretton Woods Institutions to resolve these formidable constraints.

9. We reiterate the conclusion of the Ninth Session of the United Nations Conference on Trade and Development and the provision in paragraph 114 calling for the implementation of the Mid-term Review of the Implemention of Programme of Action for the Least Developed Countries. In particular, we urge for the strengthening of the United Nations Conference on Trade and Development Secretariat entity dealing with Least Developed Countries issues to enable it to effectively coordinate the sectoral work and monitor the implementation of the Paris Programme of Action, the special provisions for Least Developed Countries contained in the Uruguay Round Agreements and decisions of the major global conferences as relevant to Least Developed Countries. Emerging out of its ninth session, the revitalized United Nations Conference on Trade and Development will have a major role to play in realizing potential gains from globalization and liberalization and reduce the risks of marginalization. In this regard, we welcome the Special Initiative for Least Developed Countries launched by the Secretary-General of United Nations Conference on Trade and Development and also the steps taken by him in establishing a trust fund for Least Developed Countries. We also

welcome his decision to hold monthly consultations with heads of missions of Least Developed Countries in Geneva on the functioning of new organizational arrangements and on issues of interest to Least Developed Countries. We request him to operationalize the trust fund as soon as possible, and urge the donors to generously contribute to the fund, as well as to support all other activities undertaken for Least Developed Countries. We express our readiness to extend to him our full cooperation and support in successfully implementing this important undertakings. We also like to request him to commence the preparatory process at the level of the United Nations Conference on Trade and Development secretariat for the third United Nations Conference on Least Developed Countries.

10. We note with interest the substantive communication between the Heads of Government of Bangladesh, on behalf of Least Developed Countries and the President of the French Republic, the host of the Group of Seven summit held in Lyon, France in June 1996 pursuant to the Midrand Ministerial Declaration of Least Developed Countries. We are convinced of the need for a standing arrangement for continued dialogue between Least Developed Countries and the Group of Seven major industrialized countries. Towards this end, we would like to request the Honourable Prime Minister of Bangladesh to continue to bring to the attention of the future summit meetings of the Group of Seven countries issues of particular concern to Least Developed Countries.

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ADOPTION OF THE REPORT ON CREDENTIALS

Report of the Bureau

1. The Bureau met on 16 October 1996, in accordance with rule 17 of the rules of procedure of the Trade and Development Board, to examine the credentials of the representatives of members participating in the forty-third session.

2. The UNCTAD secretariat informed the Bureau that credentials, as provided in rule 17 of the rules of procedure, had been received for all representatives participating in the forty-third session of the Trade and Development Board.

3. The President proposed that the Bureau accept the credentials of all representatives participating in the forty-third session of the Trade and Development Board.

4. The Bureau found the credentials of the representatives participating in the forty-third session of the Trade and Development Board to be in good order.

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Geneva, 7 October 1996
Item 2 of the agenda

SEGMENT FOR HIGH-LEVEL PARTICIPATION;
SUBSTANTIVE POLICY ITEM: FOREIGN DIRECT INVESTMENT AND
DEVELOPMENT IN A GLOBALIZING WORLD ECONOMY

Closing remarks by Mr. Alec Erwin,
Minister of Trade and Industry of
South Africa, President of UNCTAD IX

Thank you to the panellists for some very lucid inputs. I am going to make some brief remarks, but it seems to me that this exercise has been a success - a success in dialogue, a success in raising issues in a manner that has been frank without necessarily adopting fixed positions, and I think it is important that what I say must be seen not as an attempt in any way to summarize all the complexity of what has happened here today. That would not be possible, and I believe that it would also be inappropriate if, in summing up as Chairman of this high-level segment, I were to attempt in any way to set an agenda or create fixed positions. So what I am about to say must, I believe, be taken as another contribution to this dialogue, allowing us to reflect of the outcome of this dialogue and go forward.

If one sits back a little bit, it seems to me that we have done quite a few things today and thereby raised some quite important issues that need further analysis and reflection. At the beginning, we heard what the preferences of the business community would be. There were two important issues that came up in that discussion, and they came up subsequently to the initial input. The first one was, as Mr. Gregory indicated, that what ICC was talking about was what would be the ideal world. No country complies with it at this point, and maybe wont ever. We were also alerted to the fact that business may not always be at one on something like a multilateral agreement. There may be differences in regard to this. They may be at one with what they regard as a favourable investment environment from their perceptions and their needs. Governments will have to respond to those perceptions and needs. They are the key doers, as was indicated.

I think we have heard the reservations, the viewpoints, the comments of many Governments, particularly on what the implications would be for them of a multilateral agreement. I am pleased to say that it was one of my compatriots from Africa who probably put this with the greatest vigour, but these are reservations and we will have to respect them in the dialogue that goes forward. We have heard, I think, well-stated argument and against the question of whether a MIA should come now or whether we should allow for an organic development of this, emerging out of many of the existing agreements and obviously taking into account the critical position that an OECD MIA would occupy when they reach agreement on it. It does seem to me that one point that began to emerge in the closing two panels, and particularly the last one, though it came up on a number of occasions, was that when regions begin to discuss investment agreements, they do it at the same time as they are discussing a number of other issues. This came up under the MERCOSUR presentation. I know it is very true of our own discussions in SADEC in Southern Africa. In a region where you have got contiguous boundaries and cross-border flows, you can't really discuss investment in the absence of a wide range of other issues - population movements, joint infrastructural projects, etc. So it seems inevitable that there would be qualitative differences between the breadth, intensity and detail of the discussions within a regional grouping and the broader multilateral arrangements that could emerge over time. I don't think this was highlighted sufficiently, because it does indicate an inevitable situation where, even if we were to get a multilateral agreement, regions may still be going beyond that MIA in the kind of dynamic situation that was outlined right at the beginning.

I think what many participants highlighted in one or another way - and Ambassador Rossier did this again very lucidly at the end - was that this process that we are now discussing concerning the need for a multilateral agreement or the reason that it is on the agenda (there may be those who feel there is no need at this stage, but it is on the agenda) doesn't just come from nowhere. It comes from a series of processes, and I think we can all remind ourselves in UNCTAD of the very detailed discussions that were held in Midrand about the underlying economic processes that are giving rise to globalization - the changes in investment and capital flows and the instantaneous nature of knowledge and information around the world that underly globalization. A point was made by the moderator in the first section that it may well be that, if you look at the absolute numbers, relatively speaking in regard to investment flows we may have had as much movement a hundred years ago, but I think that what is indisputable is that the effects and the underlying impetus for this FDI has changed structurally and significantly. In our discussions on trade in UNCTAD in particular and in the discussions on investment here today, this emerges again. We really do have to get to grips with the more deep-seated economic changes that are integrating economic space, as Mr. Ricupero said in UNCTAD IX, because it immediately means that wider issues are at stake. Mr. Graham and many other speakers in this conference have highlighted this issue. There is a holistic approach that is needed in these discussions. This raises a point which many speakers pointed to as an area that needed more detailed analysis, that is in the mobilization of resources for investment, be they domestic resources or be they FDI for any particular economy, are we in a position as countries managing our own economy to draw a distinction between domestic investment and foreign? I know, speaking for South Africa, we feel that it is not possible for your domestic investors to be governed by one set of economic forces and your foreign investors to be governed by another.

We must remind ourselves of an important point made here about the absolute size of FDI. If I remember the figure accurately, Professor Lall made the point that FDI movements constitutes some 5% of total savings. So the resource mobilization process is a gigantic one. I would like to submit that, for all of us attempting to mobilize our own domestic resources, we can't actually avoid or ignore the changes in the production processes, the changes in technology, the changes in marketing, the changes that arise out of mobility, when we consider our own resources, and this means possibly that the overall macroeconomic approach we take in mobilizing resources, the environment we create, can't really be separated out from what is happening in the process of globalization.

But, as in UNCTAD IX in Midrand, time and time again we came back to the issue of the diversity and differential impacts that globalization would have. This point was made again very very strongly by the representative of China. The challenge, I believe, that faces us is how do we accommodate the differential impacts and the diversity without then talking past each other. This dialogue can try and avoid the danger where the immense diversity of our economic situations causes us to talk past each other because we have different immediate concerns.

A point that was stressed both at UNCTAD IX and here again, but I would like to stress it very strongly as a developing country grappling with this problem, is the need for the enhanced cooperation of the multilateral institutions. It cannot make sense to have different dialogues in different structures and different studies in different structures. At the very least, and it is essential, I believe, there has got to be a dialogue on how we work together in analysing these problems and supporting our positions with informed analysis. Speakers have stressed here, and I believe this was the mandate of UNCTAD IX and it makes just plain common sense, that not only must UNCTAD undertake the analytical task but it must do what the Secretary-General has outlined and make every effort to do it in cooperation with other multilateral organizations.

Delegates, I think you can congratulate yourselves for having participated in this conference in a manner that has truly made it a success. I think congratulations should go to UNCTAD and the Secretary-General and Mr. Sauvant and his team and others in UNCTAD for experimenting once again in having a dialogue that avoids some of the pitfalls inherent in the more structured meetings that are necessary in international diplomacy and allows us here to be fairly open and frank. Whatever happens, this dialogue must continue. We can reflect as we walk towards Singapore, but let us also bear in mind that, as we saw in UNCTAD IX, even when you have an agreement, as you had in the Uruguay Round, the implementation of that agreement is as important, if not more important, than the signing of the agreement. In implementing these agreements, a dialogue is fundamental. An agreement that is imposed without support is an agreement bound for failure, bound for a polarisation of our economies and our societies.

Thank you for the privilege of allowing me to chair this segment. Thank you for allowing me to abuse the privilege of being chair and summarizing. This is not a summary that binds you to anything. If it caused you to think, then I have also succeeded. Thank you very much.